

BRENTWOOD HOTELS LIMITED
(formerly Newincco 594 Limited)

REPORT

and

FINANCIAL STATEMENTS

For the 18 month period ended 31 March 2008

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BRENTWOOD HOTELS LIMITED

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BRENTWOOD HOTELS LIMITED

COMPANY INFORMATION

As at 31 March 2008

DIRECTORS

Trafalgar Officers Limited
M M Benady
C G White

SECRETARY

REIT (Corporate Services) Limited

REGISTERED OFFICE

5 Wigmore Street
London
W1U 1PB

AUDITORS

Chiene + Tait
Chartered Accountants and Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

PRINCIPAL BANKERS

Handelsbanken
London City Branch
Trinity Tower
9 Thomas More Street
London
E1W 1WY

Bank of Scotland
Station Road
Oban
PA34 4LL

SOLICITORS

Olswang
90 High Holborn
London
WC1V 6XX

BRENTWOOD HOTELS LIMITED

DIRECTORS' REPORT

The directors present their report with the financial statements of the company for the period from 1 October 2006 to 31 March 2008.

Principal activities

The principal activities of the company in the period relate to hotels operated by the company under contracts with the hotel owner. The name of the company was changed from Newinco 594 Limited to Brentwood Hotels Limited on 18 October 2006.

Results

The loss for the period after taxation was £7,463,495 (2006: £Nil). The directors do not recommend the payment of a dividend.

Directors

The directors in office during the period were as follows:

REIT (Corporate Directors) Limited (appointed on 17 October 2006)

Olswang Directors 1 Limited (resigned 18 October 2006)

Olswang Directors 2 Limited (resigned 18 October 2006)

Subsequent to the period end, on 11 November 2008, REIT (Corporate Directors) Limited resigned as director. On the same date, Trafalgar Officers Limited, M M Benady and C G White were all appointed as directors.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

The directors confirm that:

- as far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the companies Act 1985.

BY ORDER OF THE BOARD


Trafalgar Officers Limited
Director

27 January 2009



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BRENTWOOD HOTELS LIMITED

We have audited the financial statements (the "financial statements") of Brentwood Hotels Limited for the period ended 31 March 2008 set out on pages 6 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholder, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholder, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, with respect to the directors' going concern assumption in preparing the accounts, the evidence available to us was limited because the ultimate parent undertaking, Trafalgar (Overseas) Limited, only provided historic information regarding the consolidated net asset position of the Trafalgar (Overseas) Limited group. A group funding support letter was, however, received by us in accordance with Note 18. As the company is likely to continue to make significant trading losses and will continue to rely on funding from the Trafalgar (Overseas) Limited group for its day to day operating activities, the current financial information is required for the assessment of the appropriateness of the going concern basis of preparation of the financial statements.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BRENTWOOD HOTELS LIMITED

Qualified opinion arising from limitation in audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the appropriateness of the going concern basis of preparation of the financial statements, in our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2008 and of the loss for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect solely of the limitation on our work relating to the assessment of the appropriateness of the going concern basis of preparation of the financial statements we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

In our opinion, the information given in the Directors' Report is consistent with the financial statements.

CHIENE + TAIT
Chartered Accountants and Registered Auditors
61 Dublin Street
Edinburgh EH3 6NL

30 January 2009

BRENTWOOD HOTELS LIMITED
PROFIT AND LOSS ACCOUNT
For the Period Ended 31 March 2008

		1 October 2006 to 31 March 2008 £	28 August 2006 to 30 September 2006 £
	Note		
Turnover	1	29,830,875	-
Cost of sales		(4,362,220)	-
		-----	-----
Gross profit		25,468,655	-
Administrative expenses		(32,444,744)	-
		-----	-----
Operating loss	2	(6,976,089)	-
Interest payable and similar charges	3	(487,406)	-
		-----	-----
Loss on ordinary activities before taxation		(7,463,495)	-
Tax on loss on ordinary activities	6	-	-
		-----	-----
Loss for the financial period	13	(7,463,495)	-
		=====	=====

There are no gains and losses other than those included within the profit and loss account.

All of the activities of the company are classed as continuing.

The notes on pages 8 to 14 form part of these financial statements

BRENTWOOD HOTELS LIMITED


BALANCE SHEET

At 31 March 2008

			31 March 2008	30 September 2006
	Notes	£	£	£
Fixed assets				
Intangible assets	7		-	-
Tangible assets	8		781,552	-
			<u>781,552</u>	<u>-</u>
Current assets				
Stocks	9	114,825	-	-
Debtors	10	2,711,027	1	-
Cash at bank and in hand		839,608	-	-
		<u>3,665,460</u>	<u>1</u>	<u>-</u>
Creditors: amounts falling due within one year	11	(11,910,506)	-	-
Net current (liabilities)/ assets			<u>(8,245,046)</u>	<u>1</u>
Net (liabilities)/assets			<u>(7,463,494)</u>	<u>1</u>
Capital and reserves				
Called up share capital	12		1	1
Profit and loss account	13		(7,463,495)	-
Total shareholder's (deficit)/funds	14		<u>(7,463,494)</u>	<u>1</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2007).

Approved by the Board and signed on its behalf by:-



 Trafalgar Officers Limited
 Director

27 January 2009

 Date

The notes on pages 8 to 14 form part of these financial statements.

BRENTWOOD HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 31 March 2008

1. Statement of accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

Turnover

Turnover (which excludes VAT and similar taxes) is derived from hotels operated by the company under contracts with the hotel owner, wholly within the United Kingdom.

Turnover includes gross revenues arising from hotel operations, including the rental of rooms and food and beverage sales. Turnover is recognised when rooms are occupied and food and beverages are sold.

Depreciation of tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its useful life:-

Soft furnishings, carpets, furniture and fittings	15% reducing balance
Crockery and cutlery	100%
Equipment	15% reducing balance
Televisions	15% reducing balance
Upgrades /refurbishments	20% reducing balance
Minor improvements	50% reducing balance
Computer equipment	25% reducing balance
Motor vehicles	20% on cost

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future, with the following exceptions:-

- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, this is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses.
- Provision is made for gains on revalued fixed assets only where there is a commitment at the balance sheet date to dispose of the revalued assets and the attributable gain can neither be rolled over or eliminated by capital losses.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Intangible Assets

Intangible assets comprise goodwill on the acquisition of hotel trading activities from an Administrator. This is shown at cost. Intangible assets are amortised through the profit and loss account in equal instalments over the estimated useful life of the assets. The directors consider that the intangible assets acquired during the period have no value at the end of the period and, accordingly, the full cost has been written off in the period.

BRENTWOOD HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the Period Ended 31 March 2008

1. Statement of accounting policies (cont'd)

Pension Costs

The company operates individual money purchase (defined contribution) pension schemes covering certain employees. Contributions payable to this scheme are charged to the profit and loss account in the period to which they relate. These contributions are invested separately from the company's assets.

Operating leases

Assets held for use in operating leases are included in a separate category in fixed assets at cost and depreciated over their useful life. Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

2. Operating loss

	Period to 31 March 2008 £	Period to 30 September 2006 £
This is stated after charging:		
Depreciation of fixed assets	118,940	-
Auditors' remuneration	17,000	-
Amortisation of intangible fixed assets	250,000	-
Operating lease commitments – rent payable	7,025,260	-
	=====	=====

3. Interest payable and similar charges

	Period to 31 March 2008 £	Period to 30 September 2006 £
On bank balances	59,108	-
On balances due to related party undertakings	428,298	-
	-----	-----
	487,406	-
	=====	=====

4. Information on directors and employees

	Period to 31 March 2008 £	Period to 30 September 2006 £
Staff costs		
Wages and salaries	11,349,870	-
Social security costs	811,180	-
Other pension costs	119,372	-
	-----	-----
	12,280,422	-
	=====	=====

During the period the directors did not receive any emoluments.

The average monthly number of full-time and part-time persons (including executive directors) employed in the period was made up as follows:

	No.	No.
Full-time hotel staff	298	-
Part-time hotel staff	576	-
	-----	-----
	874	-
	=====	=====

BRENTWOOD HOTELS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (cont'd)****For the Period Ended 31 March 2008****5. Pension costs**

The company operates individual money purchase (defined contribution) pension schemes covering certain employees. Contributions to the schemes are independently administered by insurance companies. The pension cost charge represents contributions payable by the company to the schemes and amounted to £119,372. At 31 March 2008 contributions amounting to £6,151 were payable to the schemes and are included in creditors.

6. Tax on loss on ordinary activities

	Period to 31 March 2008 £	Period to 30 September 2006 £
Tax on loss on ordinary activities	-	-
	=====	=====

Factors affecting tax credit for the period

The current tax credit for the period is lower than the expected tax credit as explained below:

	Period to 31 March 2008 £	Period to 30 September 2006 £
Loss on ordinary activities before tax	(7,463,495)	-
	=====	=====
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(2,239,049)	-
Effects of:		
Capital allowances for the period in excess of depreciation	(32,843)	-
Expenses not deductible for tax purposes	231,906	-
Losses carried forward	2,039,986	-
	-----	-----
Current tax charge for the period	-	-
	=====	=====

Factors affecting future tax charges

A deferred tax asset of £1,873,334 exists in respect of unutilised tax losses. This asset has not been recognised in the financial statements and will only be recoverable against future taxable trading profits.

BRENTWOOD HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the Period Ended 31 March 2008

7. Intangible fixed assets

**Goodwill
and brand
licences
£**

Cost or Valuation

At 1 October 2006

Additions

At 31 March 2008

Amortisation

At 1 October 2006

Amounts provided for in period

At 31 March 2008

Net Book Value

At 31 March 2008

At 30 September 2006

8. Tangible fixed assets

Furniture Fixtures & Fittings £	Motor Vehicles £	Computer Equip £	Total £
--	---------------------------------	---------------------------------	--------------------

Cost or Valuation

At 1 October 2006

Additions

At 31 March 2008

Depreciation

At 1 October 2006

Charge for period

At 31 March 2008

Net Book Value

At 31 March 2008

At 30 September 2006

BRENTWOOD HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the Period Ended 31 March 2008

9. Stocks

	31 March 2008 £	30 September 2006 £
Food, liquor and goods for resale	114,825 =====	- =====

10. Debtors

	31 March 2008 £	30 September 2006 £
Trade debtors	1,952,343	-
Other debtors	493,185	1
Prepayments and accrued income	265,499	-
	-----	-----
	2,711,027	1
	=====	=====

11. Creditors: Amounts falling due within one year

	31 March 2008 £	30 September 2006 £
Trade creditors	1,102,603	-
Amounts due to related party undertakings	10,350,815	-
Other taxes and social security costs	166,674	-
Accruals and deferred income	290,414	-
	-----	-----
	11,910,506	-
	=====	=====

12. Share capital

	Authorised		Allotted, called up and fully paid	
	2008 No.	2006 No.	2008 £	2006 £
Ordinary Shares of £1 each	1,000	1,000	1	1
	=====	=====	=====	=====

13. Profit and loss account

	31 March 2008 £	30 September 2006 £
At 1 October 2006	-	-
Loss for the financial period	(7,463,495)	-
	-----	-----
At 31 March 2008	(7,463,495)	-
	=====	=====

BRENTWOOD HOTELS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (cont'd)****For the Period Ended 31 March 2008****14. Reconciliation of movements in shareholder's (deficit)/ funds**

	31 March 2008 £	30 September 2006 £
Loss for the financial period	(7,463,495)	-
Share capital issued	-	1
	-----	-----
Net (reduction)/addition to shareholder's (deficit)/ funds	(7,463,495)	1
Opening shareholder's funds	1	-
	-----	-----
Closing shareholder's (deficit)/ funds	(7,463,494)	1
	=====	=====

15. Commitments under operating leases

At 31 March 2008, the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	31 March 2008 £	30 September 2006 £
Operating leases which expire:-		
In more than 5 years	4,644,309	-
	-----	-----
	4,644,309	-
	=====	=====

16. Post balance sheet events

Subsequent to the period end, certain hotels have been disposed of by the owner and have, therefore, ceased to be operated by the company. These changes are in the ordinary course of trading and the amount of turnover earned in the period to 31 March 2008 in relation to these hotels amounted to approximately £7,381,000.

17. Ultimate parent undertaking and related party transactions

The company's parent undertaking is Brentwood Hotels (Holdings) Limited. The ultimate parent undertaking is Trafalgar (Overseas) Limited, a company incorporated in Gibraltar.

During the period, rent was paid to Brentwood Investments Limited, a related party which is the freehold owner of the hotels operated by the company, in the amount of £7,236,908.

Also during the period, expenses amounting to £9,922,518 were paid on behalf of the company by the ultimate parent undertaking, Trafalgar (Overseas) Limited, and by Pinton Estates plc and Ashpol plc. Pinton Estates plc and Ashpol plc are companies within the Trafalgar (Overseas) Limited group of companies. The amounts due to these companies as at 31 March 2008 and the interest charged on balances due during the period were as follows:

	£	£
Trafalgar (Overseas) Limited	5,674,988	3,222
Pinton Estates plc	1,872,758	170,252
Ashpol plc	2,803,069	254,824

BRENTWOOD HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the Period Ended 31 March 2008

18. Going concern

The company relies upon companies within the Trafalgar (Overseas) Limited group of companies in order to meet its day to day working capital requirements. On the basis of the continued support of these related parties, the directors consider it appropriate to prepare the financial statements on the going concern basis.